

The Testimony of  
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Before the House Small Business Committee  
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Madame Chairwoman, Ranking Member Chabot and members of the Committee,

My name is Brian Bieron, and I am the Senior Director for Federal Government Relations at eBay Inc. I would like to thank the committee for giving eBay this opportunity to discuss the importance of the Internet Access Tax Moratorium to small businesses.

At eBay, we believe that the Internet is a good thing. We believe that it is a remarkable, revolutionary, empowering technology. Of particular importance to this Committee should be the fact that the Internet is a powerful force supporting American small business success in the global 21st Century economy.

Today, small retailers across America are using eBay to reach a global customer base. Some are primarily eBay-based businesses, many use eBay as well as other Internet channels to reach Internet-enabled consumers. Finally, more and more traditional brick-and-mortar retailers are augmenting their storefront business with Internet sales. All in all, we estimate that over 720,000 small businesses use eBay as a primary or secondary marketing channel.

The evolution of brick-and-mortar small businesses adopting the Internet is a particularly interesting story. There was a time when many traditional small business retailers seemed threatened, or maybe awed, by the Internet. It was a gee-whiz technology that might make sense for Silicon Valley, but what did it have to do with the small retailer trying to stay afloat on Main Street in towns and small cities across America?

The reality of the past decade is that the Internet has proven to be a remarkable tool for small businesses.

In the retail industry, small entrepreneurs face a world of global behemoths. Those multi-billion dollar businesses source product globally and use technology to relentlessly increase efficiency and drive down prices. Mega retailers have been relentlessly pressuring small business retailers for decades. In a word, the Internet has been a lifeline for many of those small businesses.

The Internet allows a small retailer to tap into the global economy in two key ways. First, the small business can use the Internet, the ultimate open and level-playing field, to reach a global customer base. For example, approximately 15 percent of the sales of US

small businesses using eBay are cross-border sales. Yes, eBay is enabling a small business export success story. This holds tremendous hope for US small business growth.

Second, the Internet increasingly allows small retail businesses to source product globally. The mega retailer is global, buying from factories in every country of the world and selling from stores in every corner of America. Now, the Internet allows the small retailer to likewise find the best products at the best prices anywhere in the world.

So, what does this all mean for your consideration of the Internet access tax moratorium? We believe that you should take up the mantle of Internet-enabled small businesses and call on your colleagues to extend the moratorium on access taxes, and multiple or discriminatory taxes on the Internet. Permanently.

By the way, along with learning quite a bit from our community about how small businesses use the Internet, we think we've also learned a little bit about how markets work. In fact, eBay has often been called the most perfect market. Our marketplace is super efficient, benefiting hundreds of millions of consumers, and hundreds of thousands of small businesses across the globe.

We know that when you raise prices you reduce demand. Anybody, or any study, that tries to make the case that even if you raise prices you will not reduce demand, is highly suspect on its face. If taxes on Internet access go up, fewer small businesses will use the Internet. More importantly, fewer consumers will use the Internet. And for the small businesses using the Internet, that means fewer sales and less opportunity to compete with the mega retailers. Bad news.

So, in conclusion, we support maintaining the core regulatory principles that have unpinned the Internet as a small business success story. On the tax front, this includes policies such as the tax-free treatment of Internet access, and the Quill decision limiting tax burdens to the local and state government where an Internet-entrepreneur resides. The open, non-discriminatory nature of the Internet, and the current Internet-liability regime are equally important.

This committee should make a strong statement for small business by calling on the House Leadership to rapidly bring a permanent access tax moratorium to the House floor.

Thank you and I am happy to answer questions.